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MAY 7 1956

DUNLOP CANADA
Limited

ANNUAL REPORT
1955

CONFIDENTIAL

NOT TO BE RELEASED
FOR PUBLICATION UNTIL
YOUR ISSUE DATED ON OR AFTER

1.00 a.m. May 5th. 1956

BOARD OF DIRECTORS

J. P. ANDERSON, C.B.E.

G. E. BEHARRELL

D. B. COLLETT

A. R. M. GEDDES, O.B.E.

JOHN H. LORD

G. F. PLUMMER

JAMES I. SIMPSON

T. W. SMITH

W. R. WALTON, JR.

OFFICERS

CHAIRMAN OF THE BOARD	- - - - -	JAMES I. SIMPSON
PRESIDENT	- - - - -	J. P. ANDERSON, C.B.E.
VICE-PRESIDENT—AUTOMOTIVE SALES DIVISION	- - - - -	G. F. PLUMMER
VICE-PRESIDENT—INDUSTRIAL AND GENERAL PRODUCTS SALES DIVISION	- - - - -	H. S. PRITCHARD
VICE-PRESIDENT—MANUFACTURING	- - - - -	W. H. BARTLETT
VICE-PRESIDENT	- - - - -	W. R. WALTON, JR.
SECRETARY-TREASURER	- - - - -	J. R. SWANN



ANNUAL REPORT

The Directors are pleased to present the 57th Annual Report of Dunlop Canada Limited together with the Consolidated Financial Statements for the year ended 31st December 1955 and the Auditors' Report thereon.

The year 1955 in which the new tire and Pillofoam factories at Whitby were completed and brought into operation in the latter part, marks a milestone in the Company's history.

Sales were again at a record level and showed a substantial increase over the previous year. This was achieved despite serious dislocation of production facilities caused by the transfer of production from Toronto to Whitby and other plant rearrangements. Because of these factors, accentuated by the need for an increasing proportion of tubeless tire production, the Company experienced great difficulty in meeting customer requirements. It is only since the end of the year under review that the Company has commenced to benefit from the new tire manufacturing facilities and production levels are now not only substantially above the previous capacity but steadily rising in readiness for the current selling season.

Although the major part of the machinery and equipment at the Whitby factories is new and of the very latest design, certain key machines were transferred from Toronto, and the resulting loss of tire production was greater than anticipated. The labour training programme was also more extensive than expected and the usual initial difficulties were experienced in setting up and operating the new equipment. All of these factors contributed substantially to abnormal expenditures and costs during the year 1955.

As will be seen from the Statement of Consolidated Profit and Loss for the year ended 31st December 1955, the actual result of trading operations for the year showed a profit of \$674,242, compared with \$187,734 in the previous year. The exceptional and non-recurring expenditures associated with the transfer of equipment, dislocation at Toronto and start-up at Whitby amounted to \$1,832,951 and have been wholly written off, giving a final loss transferred to Consolidated Surplus of \$1,127,459.

The dividend from Canadian Lastex Limited, in which a 50% interest is held, was increased, that Company having had a satisfactory trading year after its depressed earnings of 1954.

The earned surplus at 31st December 1955, is \$1,907,314.

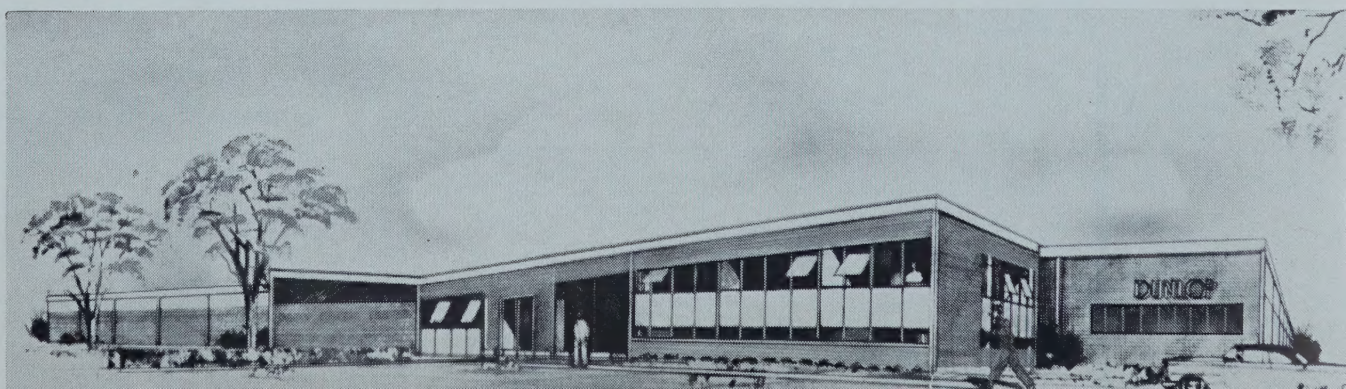
On the 29th November 1955, Supplementary Letters Patent were granted increasing the Company's Authorized Share Capital to 170,000 Common Shares with a par value of \$70 each. Dunlop Rubber Company Limited, England, subscribed for an additional 50,000 Shares, thus increasing the Issued Share Capital by \$3½ million to \$8,974,000, all held by Dunlop Rubber Company Limited, England.

Capital expenditure on construction of the two new factories at Whitby amounted to \$4,674,000 in the year out of total capital expenditure of \$5,711,000. The intensive new tire development programme necessitated unusually heavy expenditures on tire moulds.

Inventories at \$8,030,488 were \$705,000 higher than at the end of 1954, increased levels and prices of raw materials more than offsetting the depletion of tire inventories which occurred throughout the latter part of 1955. The increased Accounts Receivable reflect the higher level of sales.

The facilities provided by the Company's bankers were considerably increased over the year and in addition the Company took advantage of some short term loans available at attractive interest rates. At 31st December these temporary facilities amounted in total to \$7,402,205. Since that date considerable further financial assistance has been received from Dunlop Rubber Company Limited, England.

During the year, in addition to tubeless tires for both cars and trucks, a new Silent Traction winter tire was introduced and secured immediate and widespread recognition as



A sketch of a proposed new branch building.

an outstanding tire for winter driving. A new passenger tire embodying many features designed specially to meet Canadian road conditions was developed for introduction to the market this year under the trade mark "Gold Seal".

The new Whitby Pillofoam Plant not only permitted the achievement of a record volume of production and sales but is providing products of unsurpassed quality and appearance. A range of Dunlop latex foam beds of superior quality and attractive design was successfully introduced under the distinctive mark "Viscount".

As part of the re-organization of the Toronto factory a rubber lining department was established and equipped. This is a field in which Dunlop has held a world-wide reputation for many years and already an important share of the Canadian market has been assured including contracts for the lining of equipment at the uranium mines in the Blind River area.

Equipment employing an entirely new method for the mass production of small moulded articles was installed in the Toronto factory in the latter part of the year and encouraging developments are well under way. Additional manufacturing facilities for wide conveyor belts were brought into operation.

Since the end of the year the Company has contracted to sell its warehouse and Toronto Branch premises at 496 Queen Street East, and will be moving the latter to new premises designed to provide more efficient operation and service to customers.

The year 1955 was one of difficulty in which quite abnormal problems had to be overcome. The Board is very conscious of the efforts and co-operation of all employees to whom it is most grateful and with whom it looks forward with confidence to the future.

On behalf of the Board of Directors,

J. P. ANDERSON,
President.

Toronto, Ontario
4th May 1956

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

YEAR ENDED 31st DECEMBER

	1955	1954
Profit from operations before taking into account items shown hereunder	\$1,486,386	\$ 815,544
Less: Depreciation	\$ 652,304	\$ 466,810
Debenture Interest	148,840	150,000
Directors' Fees	11,000	11,000
	<u>812,144</u>	<u>627,810</u>
	674,242	187,734
Income from Investment	<u>31,250</u>	<u>12,500</u>
	705,492	200,234
Less: Exceptional and non-recurring expenditure on Removal, Installation, Pre-production and consequential costs, etc., of new machinery, processes and modified lay-outs, including labour and materials involved	1,832,951	—
	1,127,459 (Loss)	200,234
Provision for Income Taxes	—	85,100
Net Profit or Loss for the year	<u>\$1,127,459 (Loss)</u>	<u>\$ 115,134</u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS

YEAR ENDED 31st DECEMBER

	1955	1954
Balance 1st January	\$2,904,606	\$2,834,999
Net Profit or Loss for the year	1,127,459 (Loss)	115,134
Recovery of Income Taxes for 1953 and 1954	300,000	—
Less: Transferred to Future Tax Reserve (Note 1)	<u>139,600</u>	<u>—</u>
	160,400	—
	1,937,547	2,950,133
Less: Net Losses on disposal of Fixed Assets	30,233	62,733
Less: Portion charged against Contributed Surplus	—	17,206
	<u>30,233</u>	<u>45,527</u>
Earned Surplus 31st December	<u>\$1,907,314</u>	<u>\$2,904,606</u>

DUNLOP CANADA *Limited*

AND SUBSIDIARY CO

CONSOLIDATED

	1955	1954
CURRENT ASSETS		
Cash	\$ 4,918	\$ 2,455
Accounts Receivable, less allowance for doubtful accounts	3,347,486	2,958,409
Inventories, valued at the lower of cost or market prices	8,030,488	7,325,487
Deferred Items	67,891	55,713
	<u>11,450,783</u>	<u>10,342,064</u>
 AMOUNTS OWING BY AFFILIATED COMPANIES	 14,662	 1,724
 INVESTMENTS		
Shares, at cost	\$ 125,000	\$ 125,800
Loans and Advances	211,600	186,514
	<u>336,600</u>	<u>312,314</u>
 FIXED ASSETS		
Land, Buildings and Equipment, at cost	\$18,255,888	\$13,590,996
Less: Accumulated depreciation	5,411,904	5,471,539
	<u>12,843,984</u>	<u>8,119,457</u>
 GOODWILL, PATENTS AND PROCESSES	 941,205	 941,205
	<u><u>\$25,587,234</u></u>	<u><u>\$19,716,764</u></u>

BALANCE SHEET AS AT 31ST DECEMBER 1955

	1955	1954
CURRENT LIABILITIES		
Bank Overdraft	\$ 6,852,205	\$ 2,444,956
Short term Loans	550,000	—
Accounts Payable and Accrued Liabilities	1,981,607	2,584,045
Federal, Provincial and Municipal Taxes	130,369	189,662
Sundry Provisions	99,299	87,654
	<u>9,613,480</u>	<u>5,306,317</u>
AMOUNTS OWING TO DUNLOP RUBBER Co., LTD., ENGLAND AND AFFILIATED COMPANIES (Payable after 31st December 1956)	1,843,840	2,756,841
RESERVE FOR FUTURE INCOME TAXES	139,600	—
FUNDED DEBT		
5% Sinking Fund Debentures maturing 1st February 1972 (Note 2)	2,834,000	3,000,000
CAPITAL STOCK		
Common Shares (Par Value \$70)		
Authorized 170,000 shares	<u>\$11,900,000</u>	<u>\$ 7,630,000</u>
Issued 128,200 shares	8,974,000	5,474,000
GENERAL RESERVE	275,000	275,000
EARNED SURPLUS	<u>1,907,314</u>	<u>2,904,606</u>
	11,156,314	8,653,606
	<u><u>\$25,587,234</u></u>	<u><u>\$19,716,764</u></u>

Approved on behalf of the Board,

J. P. ANDERSON	}	Directors
J. I. SIMPSON		

NOTES TO FINANCIAL STATEMENTS

1. RESERVE FOR FUTURE TAXES

In submitting its 1954 Income Tax Returns the Company claimed Capital Cost Allowances greater than the provision for Depreciation charged in the accounts for that year, thereby converting the 1954 profit into a tax loss. Arising from this the provision for Income Taxes charged in the 1954 accounts was not required and the Company was able to reclaim the greater portion of 1953 taxes.

The additional allowances claimed resulted in tax values of fixed assets as at 31st December 1954 being reduced below the corresponding net book values by \$297,000 and \$139,600 representing the equivalent of Income Tax at the current rate on this amount has been transferred to a reserve for Future Income Taxes.

2. FUNDED DEBT

Annual Sinking Fund payments of \$166,667 are due 1st October 1956-1971 inclusive and on 31st January 1972.

3. CONTINGENT LIABILITIES

There are contingent liabilities for mortgage and other guarantees of \$219,420.

4. CAPITAL COMMITMENTS

Outstanding contractual commitments at 31st December 1955 in respect of equipment are estimated at \$380,000.

5. FOREIGN CURRENCIES

Assets and liabilities in foreign currencies have been converted at the exchange rates prevailing at the close of business on 31st December 1955.

6. LEASES

During the year ended 31st December 1955 certain recently erected branch properties were disposed of for an aggregate consideration of \$261,000 and long-term leases were entered into for the same properties. The obligations in respect of these leases as at 31st December 1955 were \$513,152 and covered a period extending to 1985.



AUDITORS' REPORT

To the Shareholders of
Dunlop Canada Limited.

We have examined the consolidated balance sheet of Dunlop Canada Limited and subsidiary companies as at 31st December 1955 and the statements of consolidated profit and loss and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at 31st December 1955 and the result of their operations for the year ended on that date.

EDWARDS, MORGAN & CO.,

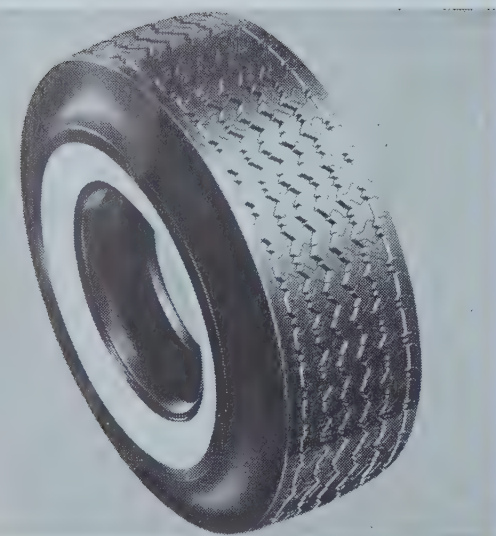
Chartered Accountants.

Toronto, Ontario.

12th April 1956.



The tire and Pillofoam factories at Whitby strategically located near the harbour to take advantage of future St. Lawrence Seaway development.

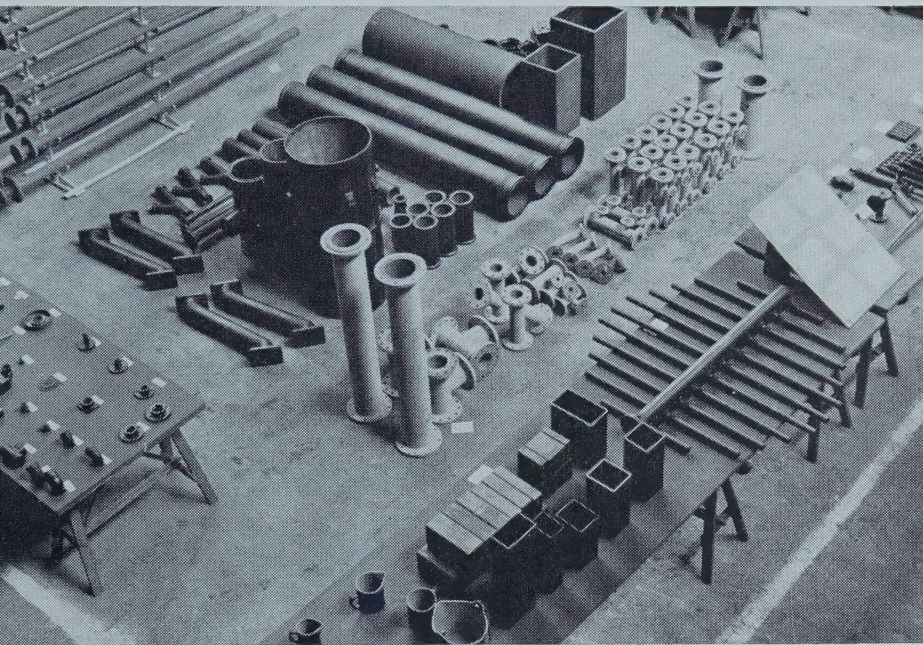


The new "*Gold Seal*" passenger tire designed specially to meet Canadian road conditions.

The range of Dunlop "Viscount" latex foam beds for 1956.

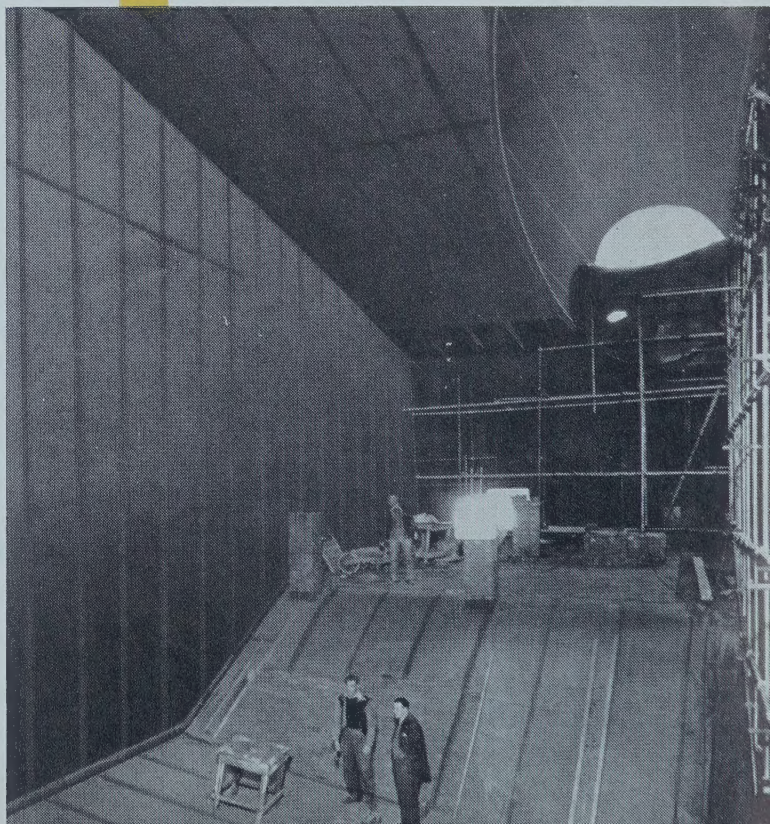


DUNCLAD



A typical assortment of Dunclad rubber lined equipment.

30 tons of rubber form a self-vulcanized Dunclad lining to protect this absorber from corrosive mists of Hydrobromic and Sulphuric Acids.



DUNLOP *Canada* **Limited**

HEAD OFFICES

TORONTO, ONTARIO

370 Queen St. East

FACTORIES

TORONTO, ONTARIO

WHITBY, ONTARIO

BRANCHES

ST. JOHN, N.B.

71 Prince William St.

QUEBEC, QUE.

371 St. Paul St.

MONTREAL, QUE.

2100 Girouard St.

“ (Pillofoam
Division)

1819 des Carrieres St.

TORONTO, ONTARIO

496 Queen St. East

“ (Sports
Division)

355 King St. West

OTTAWA, ONTARIO

289 Bell St.

LONDON, ONTARIO

517 York St.

WINNIPEG, MANITOBA

376 Donald St.

REGINA, SASKATCHEWAN

Halifax & Eighth Ave.

CALGARY, ALBERTA

6520 McLeod Trail

EDMONTON, ALBERTA

11625 120th St.

VANCOUVER, B.C.

802 Beach Ave.

SALES OFFICES

ST. JOHNS, NFLD.

HALIFAX, N.S.

HAMILTON, ONT.

WINDSOR, ONT.

KIRKLAND LAKE, ONT.

SUDBURY, ONT.

FORT WILLIAM, ONT.

SASKATOON, SASK.

LETHBRIDGE, ALTA.

VICTORIA, B.C.

DUNLOP / **CANADA**
Limited